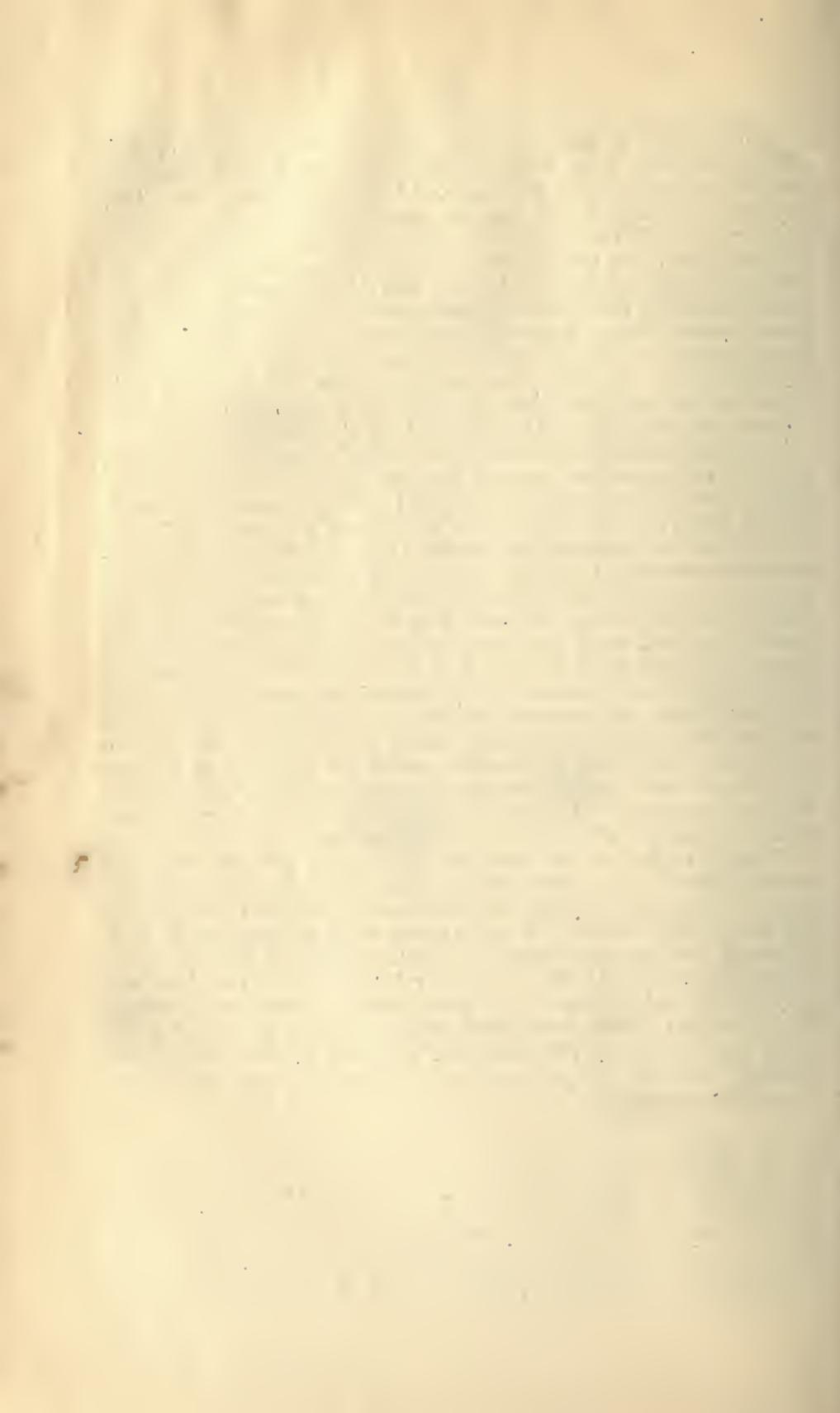




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At Dinner of the Committee on Tariff Reform
of the Reform Club in the
City of New York.

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PROFESSOR SUMNER'S ADDRESS.

MR. CHAIRMAN AND GENTLEMEN—I think it must be now nearly twenty years since I have made a free trade speech or been able to take share in a free trade dinner.

When I was invited here this evening I thought I would try to come for the pleasure of hearing the gentlemen, especially the members of Congress, who were announced to speak here. I have been so out of health that it has been impossible for me to sit up evenings or to attempt public speaking in the evenings, but things are going a little better and I will make an attempt to say a little this evening—not very much, as the hour is now late.

Thirty-five or forty years ago I became a free trader for two great reasons, as far as I can now remember.

One was because, as a student of political economy, my whole mind revolted against the notion of magic that is involved in the notion of a protective tariff. That is, there are facts that are accounted for by assertions that are either plainly untrue or are entirely irrational. The other reason was because it seemed to me that the protective tariff system nourished erroneous ideas of success in business and produced immoral results in the minds and hopes of the people.

I cannot say that I have got any more light on the matter within the last twenty years, but it looks to me still as if the great objections to protectionism were these two. No man who enjoys the benefit of a protective tariff, as he believes, can ever tell whether he gets back anything for the taxes which he pays or not. He never has any analysis of the operation and never knows whether he really recovers what he pays in from the action of the tariff or not.

I say now the taxes which he pays, because let us not make any mistake about this. The matter we are talking about is one entirely of Americans and between Americans. If the protective tariff operates so as to perform what is attributed to it, it prevents things from being imported into this country. That may be a disadvantage to the foreigner, it may disappoint him in his hopes, but we may leave him out of account. Then the increase of the cost of these commodities for the American consumer at home is the source from which the American protected manufacturer must obtain his benefit, if he ever obtains any. Therefore, he has to pay also taxes to the other protected industries on account of the operation of the system. Therefore he is both paying and receiving, but whether he gets back the part that he hoped to receive or not is an operation which he never can sift and never can know.

I should suppose myself that possibly the Pennsylvanian on his coal and iron might stand a good chance of winning something. The

operation is direct and simple in that case and coal and iron are to-day the very first conditions of industry. They must be obtained as raw material, because they enter into everything, and it is possible that under those circumstances the game might be sufficiently direct so that its effect could be felt and perceived. But the Connecticut manufacturer has to pay taxes on coal and iron and copper and the other metals and he has to pay also the taxes on wool and the other raw materials, and then comes the question whether he ever gets it back again or not. He never knows; he cannot know; he cannot feel it and he cannot possibly know whether the operation of the system is to bring him back a return for his outlay or not.

We hear a great deal about a rightly adjusted tariff. It is a constant ideal that is presented whenever the tariff subject comes up again for discussion in Congress that it ought to be rightly adjusted, and when it is, it is going to perform its beneficial operation.

How can a tariff ever be rightly adjusted unless the industry will stand still? The taxes stand still for years without change. The industries never stand still. There are new inventions in machinery, there are new raw materials brought into use, there are new processes developed, and all that changes the character of the industry. These inventions and improvements and processes are all ignored by the protective system. It contains no allowance for them at all. But our people are full of enterprise, they are fond of improvements, they like novelties, and they adopt changes. The consequence is that the industry changes, and then again the decisions that are made by somebody or other as to the doubtful questions in the interpretation of the law are also constantly changing, and then by and by we find a lot of people who want the tariff changed. They say it needs to be adapted to the time, it is out of date, it has fallen behind, it does not fit the requirements of the moment, and they would like to have a tariff revision; but they are told then, that they ought to keep still and not make a disturbance which will bring up a discussion of the entire tariff system, and that they ought to allow it to go on for the sake of the "system."

What is the system then? The system means that the import duties that we have in this country have raised the prices of all commodities in our market, I may say, thirty or forty per cent. on a very low calculation. Is not that a very extraordinary thing when you stand off and you try to realize it for a minute—that we have raised the prices in the United States thirty or forty per cent.—perhaps more nearly fifty per cent.—above the level of the prices for the same commodities in the other civilized countries of our grade, and we believe that we have done a grand and noble thing by raising these prices, putting the whole level of life in this country on an artificial plane that much above the level of the world's market? In fact, if you should listen to a protectionist he would make you believe that this continent would not be habitable if it was not for the protective tariff that is here working this operation all the time on the American market.

"I am of the opinion—I am not very confident about it, but it

looks to me as if it were true that a protective tariff wears out in a little while—I mean, so far as its expected beneficial effect is concerned.

Its effects are distributed, they are taken up and they are allowed for all around the market until the expected benefit to the protected people is lost and there remains nothing but the dead weight of the system itself as an interference with the industries. There is then a call for a new tariff in order to get another impulse or another fillip, as I have heard it called, to give things a new start, to start them on again.

That has been the history of our tariff now for one hundred years, that it has been restarted, reinvigorated from time to time in order to give a new impulse. Then in the very nature of the case, therefore, it seems to me that a new impulse is constantly required.

As I said at the outset, the tariff system seems to me to teach us to believe that a man needs a "pull" of some kind or other to make any industry a success. It is an idea that there must always be a provision of easy profit in connection with the industry that shall cause no labor or no expenditure of capital to get it. That is the pure doctrine of graft. The tariff teaches us to look for a fee or a gratuity or a rake-off which will be a pure and net profit.

People are told that tariff taxes are a rightful gift to the beneficiary. Those who do not get that gain seek another one of the same kind somewhere, and when they do that they have recourse to graft.

It is a shameful fact that this notion of graft, and this word, should have come to us, as it has within the last four or five years, and should have extended so far and become so familiar to us in connection with a great many of the operations of business. It is customary, as we have known for a long time, in some nations, for instance in Russia, China and Turkey, and with us it has seemed to spread and to win acceptance and currency in a most astonishing manner.

I cannot believe but what the tariff system has educated us in this direction and prepared us to tolerate and accept the development of this idea. It also seems to me that now, after one hundred years of this system, the tariff is no longer properly an economic question. It is a practical political question. The politics and the business are interwoven in it inextricably. There is no economic discussion possible of the propositions that are made, economic in form, in connection with the tariff system. There is only a war of partial views and of superficial inferences.

Our American protectionism has grown out of the peculiar circumstances of this country. It is an old idea that has come down to us from Europe, and indeed, from the Middle Ages in Europe, and here it found a chance for a new and very remarkable development. There were new conditions here and the chances here were so big and grand that, as a matter of fact, the protective system has never done more than exact a certain tribute from us on these chances. It has never really touched us in an acute and sensible way, and in spite of it we have enjoyed marvelous prosperity which

is due really to the circumstances of advantage and favor which we have enjoyed here.

In the year 1892 we got an issue on this matter and went to the electorate with it with the result that we all know. But the mandate of the people was neglected and disobeyed by the government and the purpose that the people showed at that time was defied.

We have also had opportunity to notice the great power of the protected interests in Congress. The fact is that we are being governed at the present time by a combination of these protected interests which have got control of the machinery of government, and have control of the personnel of the government to such an extent that it is almost impossible, practically, to make any breach in this system at all. That is because the political combinations have been so thoroughly wrought out and so ingeniously developed that they look at present as if they were impregnable.

I look around to see if I can find some encouragement. I thought that it was something of an encouragement when Mr. Dalzell made this speech in Congress that Mr. Williams has referred to, in which he poured such scorn on the idea of "incidental protection." I have never said anything so severe about any protectionist idea as that which he said about incidental protection. But suppose that the people of 1850, the middle of the nineteenth century, could come to life again, the old protectionists of that time. What would they think to hear a man speak with scorn of incidental protection? It was what they believed in; it was the whole business to them. When an old protectionist like Mr. Dalzell can turn around and pour scorn upon incidental protection I feel as if we never could tell what they might throw overboard next time in some paroxysm of some kind or other, fear or hope or something, and we might get a chance that we have not been able to get in the past.

Then, as has well been said by other gentlemen to-night, there has been within the last year or two a very great revolt in the public mind against graft and political and business corruption. How far will this go? We do not know, but it is, at any rate, an opening in the public mind that is full of chances. It may go very far, it may have very great effects, it is certainly something to be noticed and taken advantage of.

Then, again, there are new conflicts of interests arising. We have become very great people in the world's commerce, with a billion dollars' worth of exports and imports in a year, and we are so interwoven with the whole world that it will not be possible for us to go on with our old policy of discouraging commerce and rejecting it, and trying to stop it, and paying no attention at all to the remonstrances of our neighbors. In future we shall be obliged to pay some attention to these remonstrances. They are just, they are reasonable, and they will command our attention, and then we shall have to make concessions to them. In other words, we cannot any longer afford to reject and neglect these remonstrances.

It may be, therefore, that in the time that is now before us we shall have better chances for a practical war upon this system than

we have had hitherto. As long, however, as I can remember, and as long as I have had any share in it, we have got along without any encouragement in it at all. We have done what we could without them. We got so we did not expect it. We knew that we should be neglected and treated as persons whose opinions in these matters were not of any importance or worthy of any attention, and so we went on and kept up our arguments, as we considered them, to the best of our ability and without very much results.

Now, it may be that we are on the eve of a different time, when the circumstances will be more favorable, more hopeful, more full of opportunities, and I certainly, for my part, most profoundly hope that that is so.

I have noticed with some discouragement the efforts that Mr. Williams has made on the floor of Congress to get some modifications made of the tariff or some argument even opened there that might give the matter activity and life in the legislative domain. They did not seem any more encouraging than what we used to see in the old times. But it is certainly in the nature of things that the difficulties and absurdities of this system must come out in practice more and more distinctly as we go on, and the need for reform will therefore force itself in the shape of a play of interests that will bring new and counteracting forces into operation to which we may look for help in the overthrow of the system.



